GLOBAL BUSINESS MONITOR 2017

CANADA

WE BELIEVE IN **YOUR** BUSINESS
FACTORING • INVOICE DISCOUNTING • ASSET BASED LENDING

BIBBY
FINANCIAL SERVICES

MARKET ANALYSIS: **CANADA**

POPULATION: **36.2M**

NUMBER OF BUSINESSES: **1.2M**

MARKET OVERVIEW

After two years of sluggish growth, Canada's economy has rebounded sharply in 2017. According to the International Monetary Fund (IMF), Canada is expected to have the fastest growing economy among the G7 countries in 2017, with real GDP growth forecasted to reach 2.5%.[1] Strong household consumption, job growth and the continued rebound in energy and natural resources are driving the resurgent economic performance. This is reflected in GDP growth which reached its highest level since the end of the dot-com boom in 2000 at the end of Q2, 2017. Even more promising is the news that this growth has been broadly spread across most sectors of the economy. Business investment, despite modest increases in capital spending by the energy sector, is forecasted to fall overall for the fourth year in a row. Export growth also remains lacklustre amid concerns about rising protectionism in key markets.

In July, the Bank of Canada raised its key benchmark interest rate for the first time in seven years citing the improving economy, while analysts anticipate additional rate increases in 2017 and 2018.[2] Gains in household consumption spending, which have been underpinned by an improving jobs market, low inflation and interest rates, and rising home values are expected to slow as interest rates and consumer debt levels rise. Canada's urban housing market, which the Organisation for Economic Co-operation and Development (OECD), among others, warned is "overheating" actually shows some signs of slowing down.[3] As a result, GDP growth is expected to fall back below 2% in 2018.[4]

Canada's vibrant small and medium sized enterprise (SME) sector is benefitting from the country's strong and broad-based economic growth and a sustained low-interest rate environment that has boosted household spending. SMEs comprise nearly 99.7% of Canada's 1.2 million businesses and employ 90% of private sector workers, according to Government of Canada statistics (December, 2015). Canadian SMEs benefit from the nation's entrepreneurial culture, a favourable small business tax rate relative to many peer countries and a broad range of support programs for small businesses provided by federal and provincial governments.

Within the generally favourable SME environment, regulation remains a significant burden for many small businesses. The Canadian Federation of Independent Businesses estimates that it cost $37.1 billion CAD in 2014 for Canadian businesses to comply with regulation costs, with the cost to small businesses four times greater than large businesses on a cost-per-employee basis. The Canadian government has introduced several measures to reduce the regulatory burden on businesses, including a "One-for-One" rule that requires regulators to offset any new rule or regulatory cost by removing regulations or reducing administrative costs elsewhere and by introducing the "Small Business Lens," which requires regulators to explicitly consider and seek to lessen the impact on small businesses in designing new regulations.

Geographic concentration also remains a challenge for some SMEs. Fewer than 12% of Canadian businesses export any of their goods or services and, of those that do, the overwhelming majority are heavily reliant on the U.S. market, potentially exposing them to less diversity in their customer base and greater risks in the current political environment.

CALUM WILLIAMSON

MANAGING DIRECTOR / PRESIDENT, BIBBY FINANCIAL SERVICES CANADA

ANALYSIS OF RESEARCH FINDINGS

The Global Business Monitor findings show Canadian businesses in a generally positive sentiment and amongst the most confident across the study.

SMEs in Canada are relatively upbeat about the domestic economy but are concerned about the global picture, particularly with regards to the political situation in the U.S. and the impact that it may have on Canada's largest trading relationship. Despite these concerns, 70% of survey respondents expect sales to increase over the next 12 months, making Canadian SMEs the most confident about their future prospects.

Over half (54%) of respondents describe the Canadian economy as performing positively, while 11% feel it is performing poorly. The vast majority of respondents expect the Canadian economy to maintain or improve on its current performance over the next 12 months. Only 15% expect the domestic economy to worsen.

Canadian views are far less positive on the global economy, with 74% expressing concern about the global economic outlook. Only 24% feel that the global economy is performing well. Foremost among their concerns is the political situation in the U.S., where the new administration has pledged to renegotiate the North American Free Trade Agreement (NAFTA).

In the face of those concerns, the confidence of survey respondents on their own business prospects may partly reflect their relatively low exposure to international markets. Less than a third (29%) of respondents engage in export or import and only 6% rank trading internationally as a significant growth opportunity in the current environment. Expanding domestically is the most frequently cited growth opportunity.

While sales remain strong, survey respondents see rising overheads/costs as the biggest challenge currently and over the next twelve months. Currency volatility, lack of skilled staff in a tightening labor market and government red tape were also widely cited challenges. Though only one in five respondents anticipate cashflow to be a challenge going forward, nearly half (48%) say that collecting payments from customers on time is the most problematic aspect of managing their cashflow.

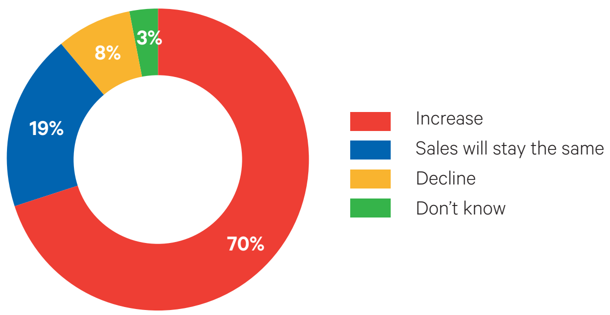
On average, customer payment times averaged 38 days for respondents and 31% say they've suffered bad debt over the past year with an average write-off of $49,000 CAD.

With the Bank of Canada increasing its benchmark interest rate in 2017 for the first time in seven years, more than 40% of respondents expressed concerns that higher interest rates could hinder their business growth either through the impact on customers or the cost of funding.

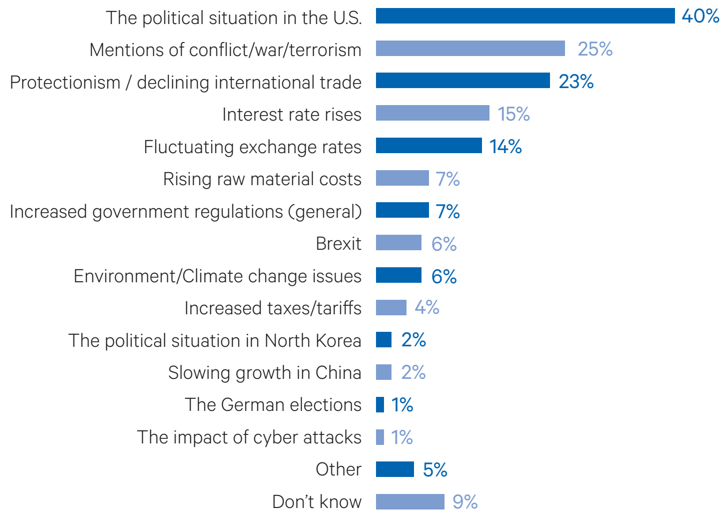
Nevertheless, Canadian SMEs continue investing in the attraction and retention of talent as a key priority. Two-thirds of respondents are investing in training and development for existing staff. While 60% are investing in recruiting new staff, boosting their IT and digital capabilities.

Almost a third (30%) of SMEs currently use external finance with only 7% considering availability of finance as poor. Over half of Canadian respondents (52%) believe the availability of finance is either good or excellent, making them the most positive about access to finance, when compared to SMEs in other countries. Just 7% have been rejected for external finance, below the study average of 12%.

SALES EXPECTATIONS OVER THE NEXT 12 MONTHS



TOP THREATS TO GLOBAL ECONOMIC GROWTH IN 2017



1 IMF 's World Economic Outlook
2 Bank of Canada, Bank of Canada increases overnight rate target to 3/4 per cent
3 OECD Canadian economic forecast summary, June 2017
4 www.oecd.org/economy/canada-economic-forecast-summary.htm
5 www.ic.gc.ca/eic/site/061.nsf/eng/h_02925.html

ABOUT BIBBY FINANCIAL SERVICES

Bibby Financial Services is a leading independent financial services partner to over 10, 000 businesses worldwide.

Formed in 1982, Bibby Financial Services is part of Bibby Line Group (BLG), a diverse and forward-looking family business with over 200 years' experience of providing personal, responsive and flexible customer solutions.

With over 40 operations in 13 countries spanning Europe, North America and Asia, we provide specialist and adaptable trade, asset and working capital funding, helping businesses to grow in domestic and international markets.

To find out more about Bibby Financial Services, visit:
www.bibbycanada.ca

ABOUT BIBBY LINE GROUP

BLG is a £1.4 billion business, operating in more than 20 countries, employing 4,500 people in industries including retail, offshore, distribution, shipping, marine based businesses, plant hire and woodland burials.

To find out more about Bibby Line Group, visit:
www.bibbylinegroup.co.uk

CONTACT

JERRICE CUVILLY
Communications Lead
jcuvilly@bibbyusa.com

CALL 866-50-Bibby **VISIT** bibbycanada.ca

WE BELIEVE IN **YOUR** BUSINESS
FACTORING • INVOICE DISCOUNTING • ASSET BASED LENDING

BIBBY
FINANCIAL SERVICES

L1143